

Power demand – tide may turn with lockdown easing

Although power demand growth was robust in Apr'21, the month of May'21 has faced the brunt of demand decline although not as severe as in Q1FY21. Yet, on YTD basis (till 23rd May'21), all-India daily/peak demand was higher by an average of 28%/26% YoY (daily YTD demand is higher even vs FY20), while for May'21-TD it is up 12%/10% YoY. Thermal PLFs continued to be strong at 67% in Apr'20 due to which, Coal India's offtake increased to 94.7mnte (vs 79mnte for 2MFY21 and 104.5mnte for 2MFY20). Even though solar generation growth has been strong due to capacity addition, wind generation continues to be erratic. Easing of lockdowns from Jun'21 onwards may reverse the decline in power demand. Further, ~9GW capacity auction expected over the next two months will help kickstart the RE auction space again. NTPC, NHPC, CESC, and PTC India remain our top picks.

- ▶ **Tide may turn for power demand from Jun'21 onwards:** On YoY basis, all-India daily/peak demand was higher by an average of 28%/26% YoY during FY22-TD and higher by 12%/10% YoY for May'21-TD (till 23rd May). However, comparing with FY20 figures, all-India daily/peak demand is an average 0.6% higher/ 0.7% lower YoY during FY22-TD and lower by 8%/9% YoY for May'21-TD (till 23rd May). May'21 has been hit hard due to the covid-related lockdown in most states, in particularly commercial demand. However, industrial and residential demand have supported the higher YoY figures. With covid cases reducing by more than 50%, the second wave is on decline. If the restrictions are relaxed from Jun'21 onwards, power demand is likely to witness an uptick again.
- ▶ **Covid-induced lockdown shaved 20GW off daily demand:** Peak power demand has declined from 185GW during Feb/Mar'21 to 155GW-160GW currently, while average daily demand is now 140GW-145GW vs ~160GW in Feb/Mar'21. The decline can be attributed to disruptions due to regional lockdowns as well as the impact of cyclones in both Western and Eastern India.
- ▶ **Renewable generation growth is still far from anticipated levels; coal holds fort:** During FY21, renewable generation gained 60bps in the overall generation mix to reach 10.6%, led by higher solar capacity. 6GW of solar capacity has been added since Mar'20, but much more is required in order to reach the lofty targets set by the Gol. ~9GW capacity auction expected over the next 2-3 months will help provide the necessary thrust to the slowed-down RE auction space. Coal continues to be the main energy source comprising 68.8% of the overall generation mix. Improved domestic coal availability at attractive rates has lowered dependence on imported coal and resulted in higher coal PLFs.
- ▶ **Higher coal PLFs help improve Coal India's offtake:** Till 23rd May'21 on MTD basis, production was 30.8mnte (up 1% YoY) and offtake was 40.8mnte (up 41% YoY). At this rate, we expect offtake for May'21 to reach 55mnte. Till 23rd May'21, on YTD basis, production was 72.6mnte (vs 81.8mnte for 2MFY21 & 91.9mnte for 2MFY20) and offtake was 94.7mnte (vs 79mnte for 2MFY21 & 104.5mnte for 2MFY20). At current rate, YTD offtake has surpassed FY20 levels as well, although production is lower. Both e-auction premiums and volumes continue to be higher YoY. For Apr'21, total e-auction volumes were 15.1mnte (up 66% YoY & 110% 2Y YoY) and premiums averaged 14% (vs 5% in Apr'20 & 45% in Apr'19). Decline in production by Coal India has been deliberate in order to reduce coal pithead stock, which reached 99mnte at FY21-end. This strategy has been successful as stocks have reduced to 77.2mnte currently. Further, coal inventory at power plants continues to be low at 15 days and coal PLFs remain at elevated levels due to which coal offtake will continue to be firm.

We remain positive on CPSUs as their earnings are based on capacity creation and not utilisation, and they continue to trade at low valuations and high dividend yields. Dividend payout for most PSUs for FY21 will be at least as per the policy set by Gol (higher of 5% of net worth, or 30% of net profits), despite buyback announcement by companies such as NTPC. Top picks: NTPC, NHPC, CESC, and PTC India.

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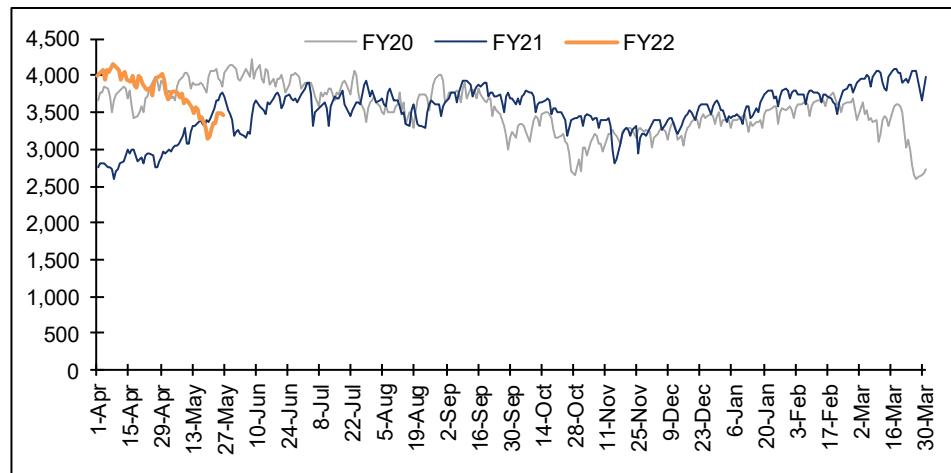
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All-India demand continues its higher trajectory

Key inferences from the charts below:

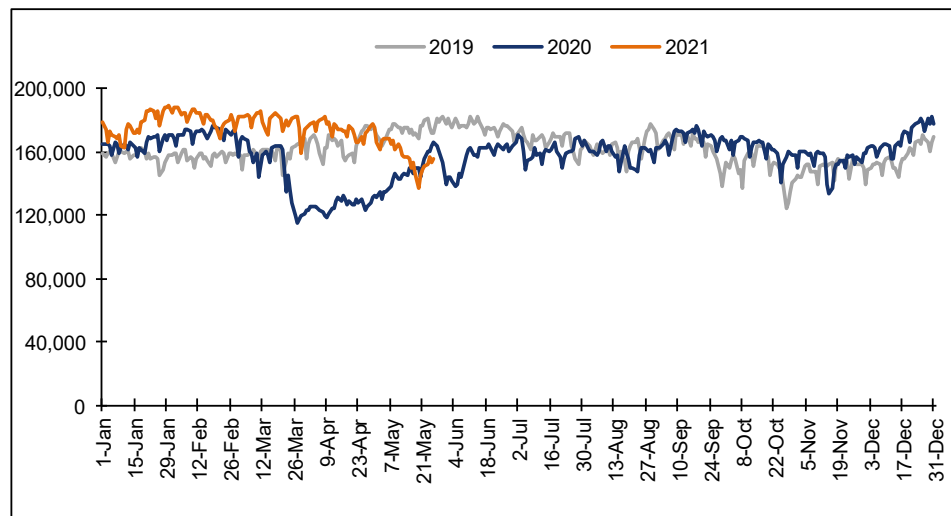
- On YoY basis, all-India daily/peak demand is higher by an average of 28%/26% YoY during FY22-TD and higher by 12%/10% YoY for May'21-TD (till 23rd May).
- But comparing with FY20 data, all-India daily/peak demand is an average 0.6% higher / 0.7% lower YoY during FY22-TD and lower by 8%/9% YoY for May'21-TD (till 23rd May).
- May'21 has been hit hard due to the covid-related lockdown in most states, in particularly commercial demand. However, industrial and residential demand have supported the higher YoY figures.
- It is imperative for the covid second wave to subside and the economy to be opened for the demand to revert to Feb/Mar'21 levels (or higher).
- During FY21, renewable generation gained 60bps in the overall generation mix to reach 10.6%, led by higher solar capacity. Coal continues to be the main energy source comprising 68.8% of the overall generation mix.

Chart 1: All-India energy demand – FY basis (MU)



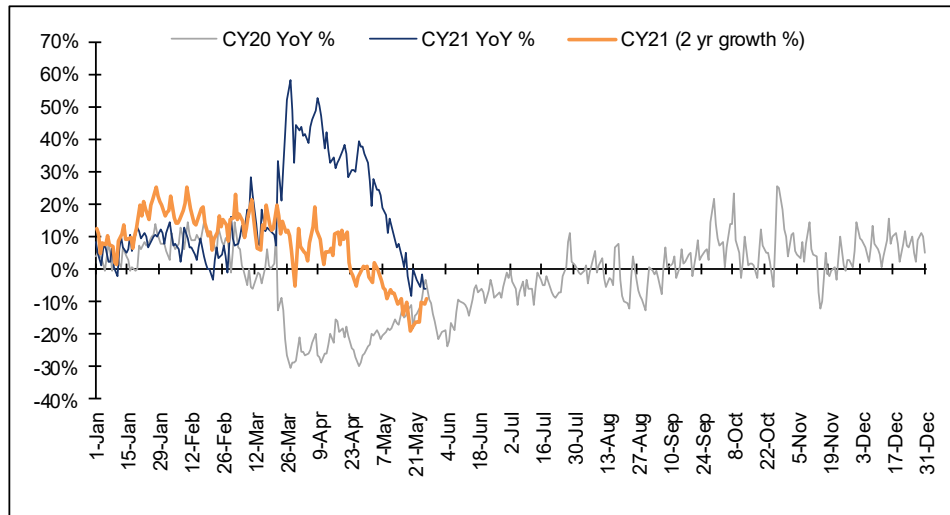
Source: POSOCO, I-Sec research

Chart 2: All-India daily peak demand – CY basis (MW)



Source: POSOCO, I-Sec research

Chart 3: All-India daily peak demand YoY comparison (%)



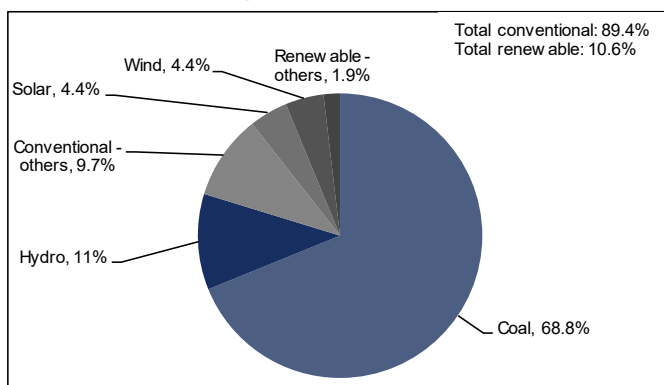
Source: POSOCO, I-Sec research

Table 1: Daily demand performance : State-wise trends (MU)

State	1 st March				1 st April				1 st May				24 th May			
	2021	2020	2019	% YoY	2021	2020	2019	% YoY	2021	2020	2019	% YoY	2021	2020	2019	% YoY
Bihar	86	71	69	21%	95	77	76	22%	104	70	102	49%	118	110	106	7%
Odisha	87	67	75	28%	99	73	81	35%	103	67	97	53%	108	90	98	19%
WB	152	111	115	37%	186	128	146	46%	149	102	161	46%	160	169	181	-5%
Gujarat	372	346	323	7%	394	222	359	78%	372	293	380	27%	328	312	260	5%
MP	259	222	223	17%	225	163	206	38%	220	187	218	18%	205	227	184	-9%
Chhattisgarh	105	85	93	23%	111	73	99	51%	97	73	104	32%	87	106	87	-18%
Maharashtra	515	457	421	13%	548	353	477	55%	471	400	456	18%	488	379	371	29%
Punjab	131	98	107	34%	120	63	124	89%	156	109	134	43%	141	240	230	-41%
Haryana	135	95	124	42%	112	67	118	68%	145	114	155	27%	120	187	202	-36%
Rajasthan	264	230	231	15%	205	145	214	41%	217	198	232	10%	213	243	198	-12%
Delhi	62	58	65	7%	72	45	72	61%	80	70	114	15%	63	99	122	-36%
UP	308	216	268	43%	283	241	311	17%	385	269	409	43%	331	407	438	-19%
Andhra Pradesh	205	194	193	6%	226	164	195	38%	195	152	176	29%	168	161	166	4%
Telangana	259	248	219	5%	280	201	219	40%	167	134	161	25%	152	201	172	-24%
Karnataka	245	224	252	9%	273	221	244	24%	203	190	181	7%	177	157	185	13%
Kerala	82	72	77	14%	85	70	85	21%	74	68	75	9%	67	59	73	13%
Tamil Nadu	315	303	341	4%	367	244	343	50%	335	234	298	43%	257	258	326	-1%
All India	3894	3384	3497	15%	3992	2743	3660	46%	3769	2936	3753	28%	3501	3710	3708	-6%

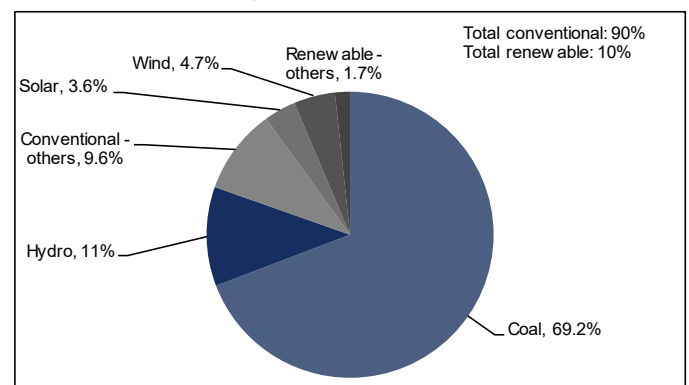
Source: POSOCO, I-Sec research

Chart 4: All-India generation mix – FY21



Source: CEA, I-Sec research

Chart 5: All-India generation mix – FY20



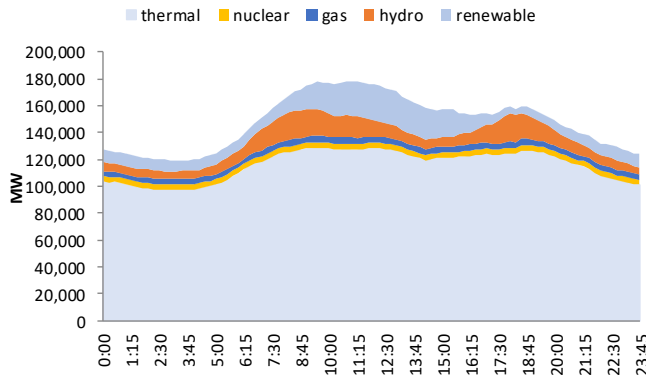
Daily load curve analysis: fuel-wise

Key inferences from the charts below:

- During winter months, there are two peak timings for the daily load curve – 9AM-11AM and 6PM-8PM. On the other hand, during summer months, demand during the day is mostly consistent, but peak is during the evening/night hours.
- Peak power demand has declined from 185GW during Feb/Mar'21 to 155GW-160GW currently. Average daily demand has declined from 160GW during Feb/Mar'21 to 140GW-145GW currently. The decline can be attributed to disruptions due to regional lockdowns as well as due to the impact of Cyclone Tauktae in Western India. Cyclone Yaas in eastern India will keep power demand low in the region till May'21-end.
- Thermal generation remains higher during early morning and evening hours (periods when renewable generation is low). This trend is expected to continue and aid coal offtake.
- Renewable generation is higher during the day, but changing wind patterns keep generation during non-solar hours erratic and unpredictable.
- Hydro and gas generation are used for load balancing purposes, while nuclear generation is consistent throughout the day.

Charts below depict the trend of fuel-wise daily load curve on the basis of 15-min interval data

Chart 6: 1st Jan'21



Source: CEA, I-Sec research

Chart 7: 1st Feb'21

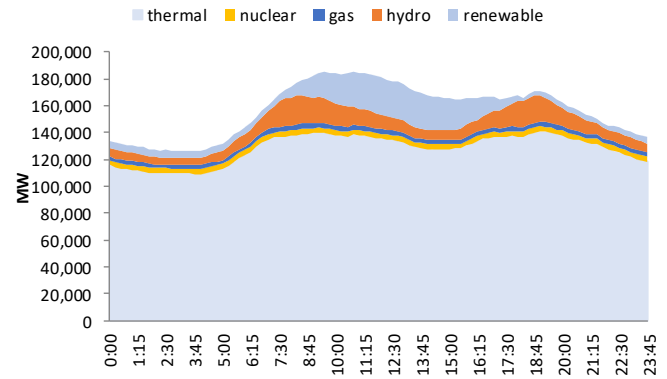
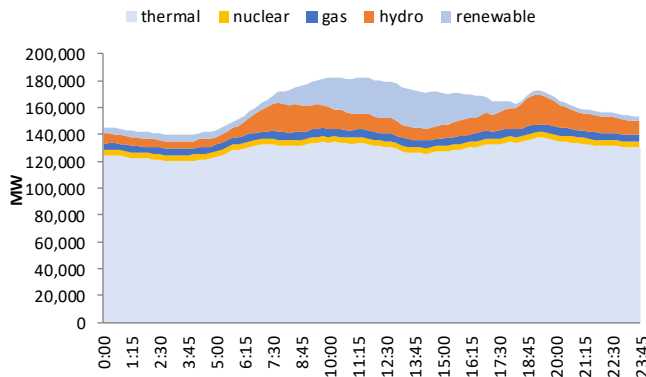


Chart 8: 1st Mar'21



Source: CEA, I-Sec research

Chart 9: 1st Apr'21

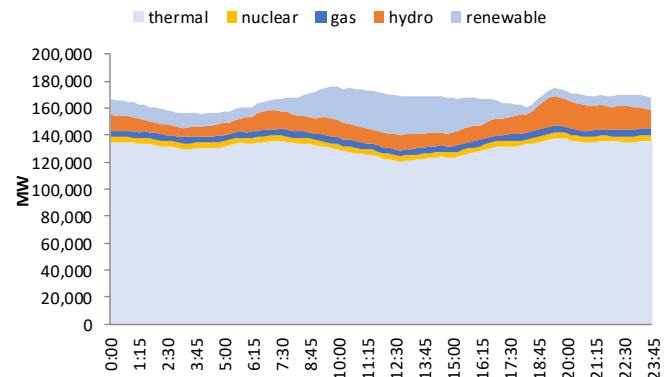
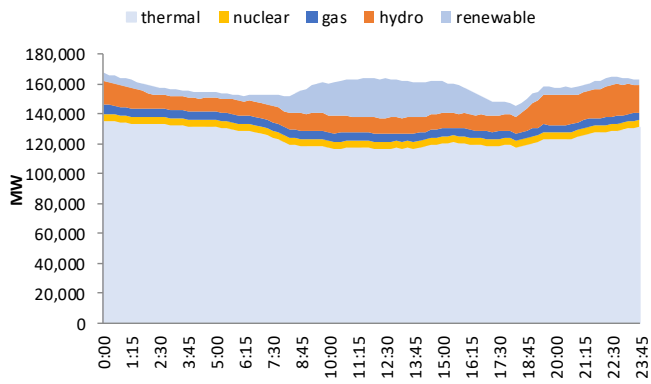
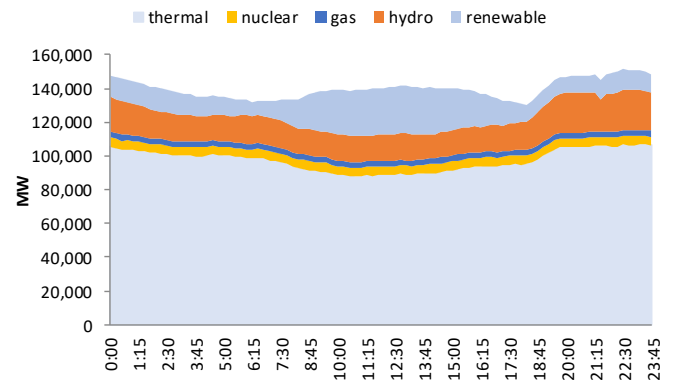


Chart 10: 1st May'21



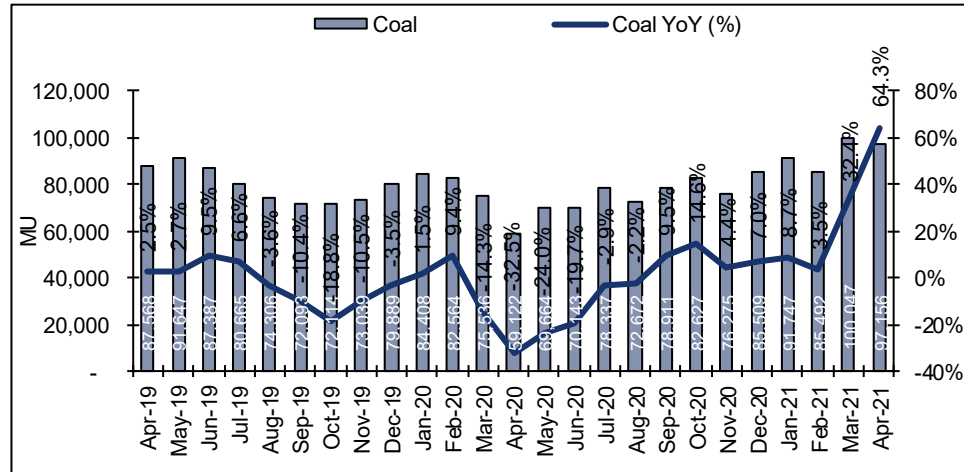
Source: CEA, I-Sec research

Chart 11: 23rd May'21



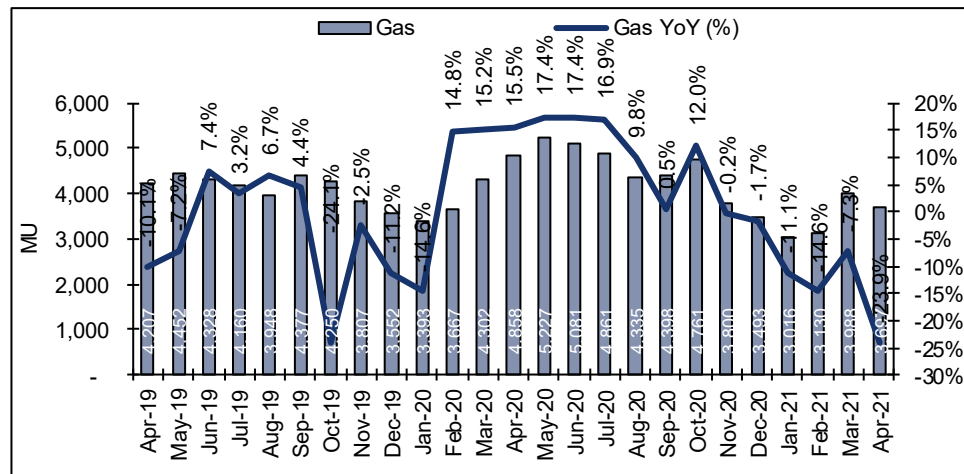
Fuel-wise generation – thermal continues to be strong

Chart 12: Coal generation (MU) strong on improved coal availability



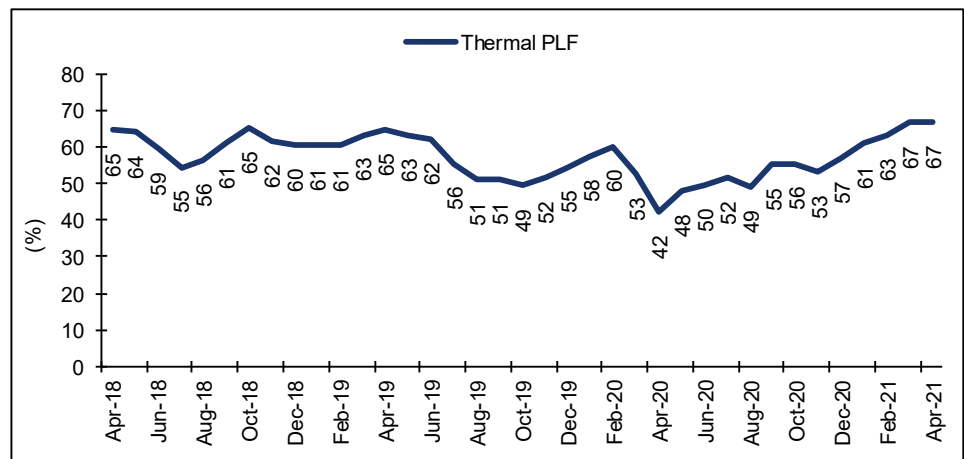
Source: CEA, I-Sec research

Chart 13: Gas generation (MU) declines due to higher LNG prices and lower merchant prices



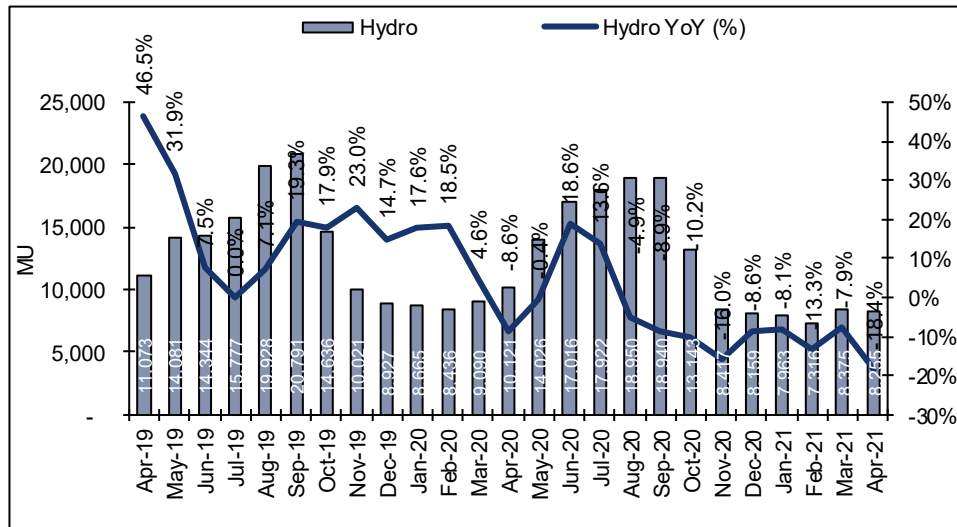
Source: CEA, I-Sec research

Chart 14: Thermal PLF (%) continues on its higher trajectory



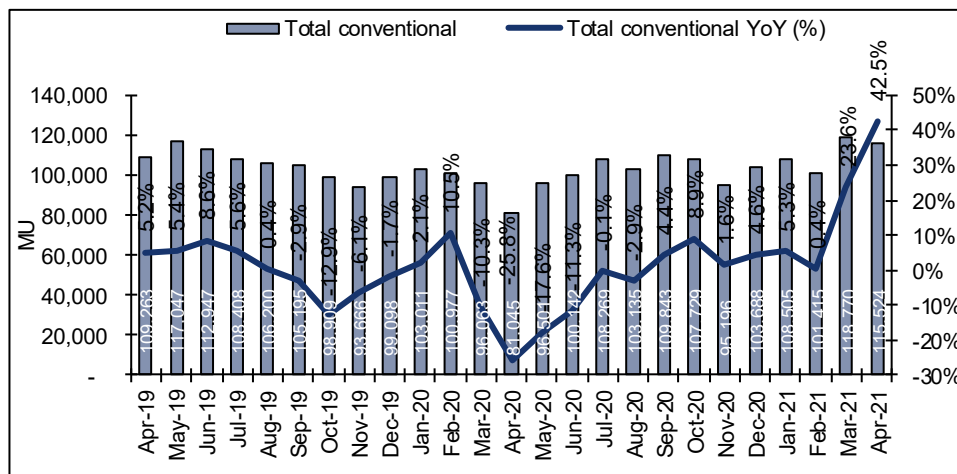
Source: CEA, I-Sec research

Chart 15: Hydro generation (MU) seasonally consistent, although lower than FY20 due to lower water availability



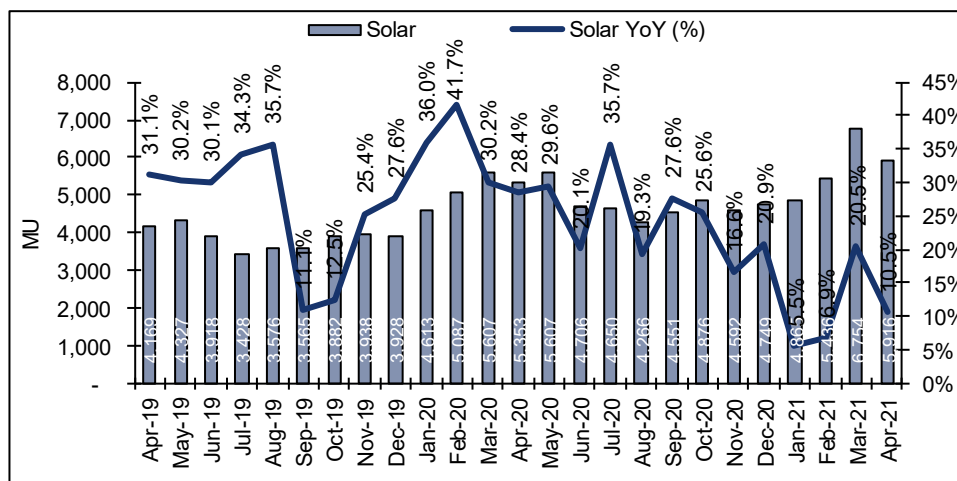
Source: CEA, I-Sec research

Chart 16: Conventional generation (MU) higher on coal generation boost



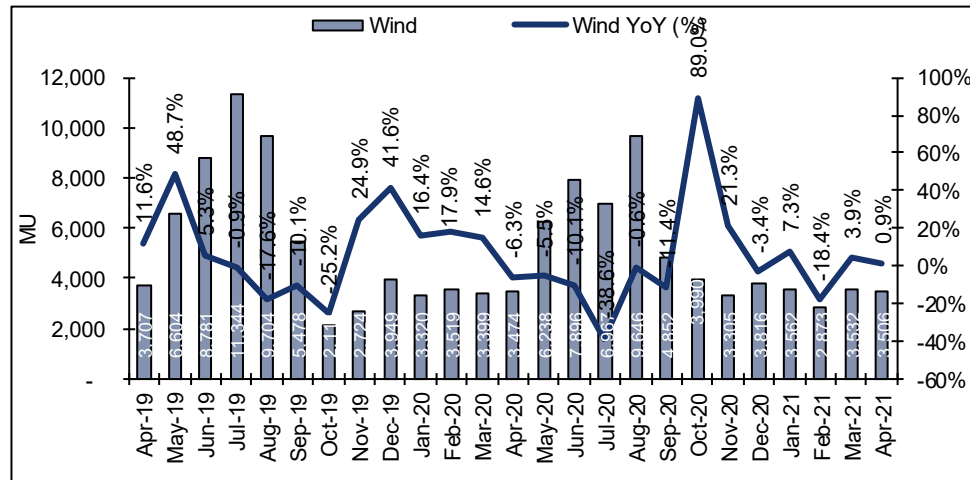
Source: CEA, I-Sec research

Chart 17: Solar generation (MU) higher due to increased capacity – 6GW added since Mar'20



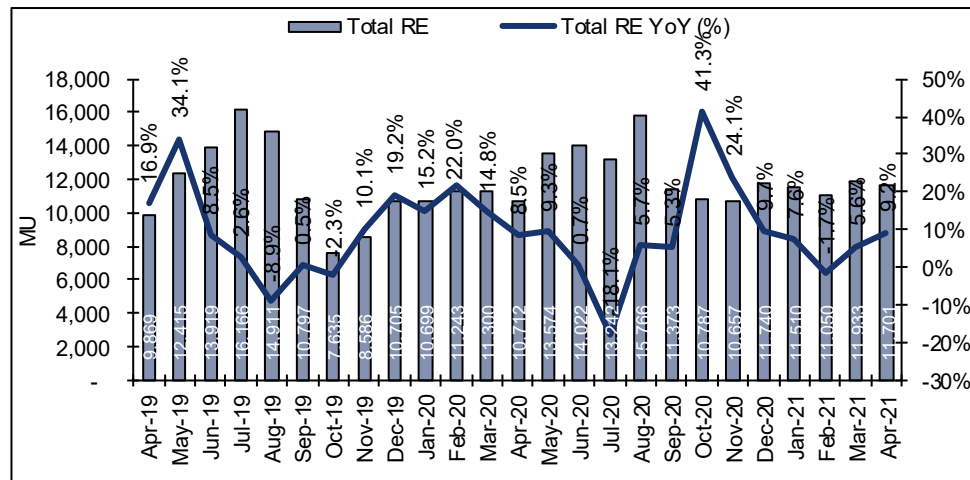
Source: CEA, I-Sec research

Chart 18: Wind generation (MU) erratic and unpredictable due to changing wind speeds and flows



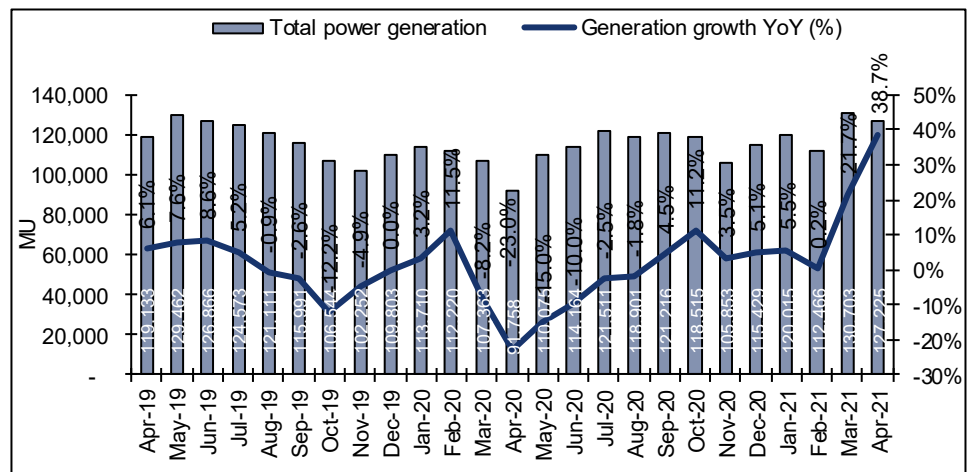
Source: CEA, I-Sec research

Chart 19: Renewable energy generation (MU) growth is not as per expectations due to lower-than-anticipated solar commissioning and erratic wind generation



Source: CEA, I-Sec research

Chart 20: All-India generation (MU) strong in Mar-Apr'21, but has declined in May'21 due to demand disruption



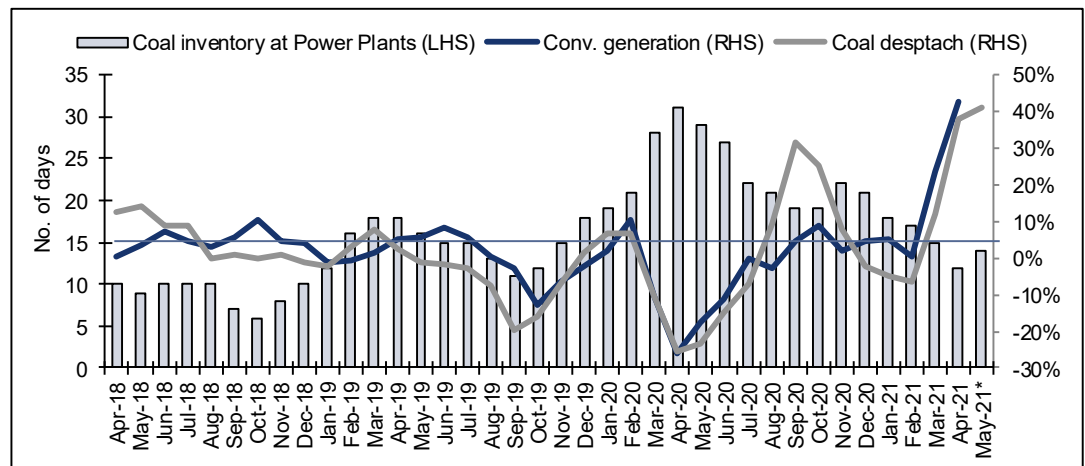
Source: CEA, I-Sec research

Coal India continues its strong offtake performance in FY22

Key inferences from the charts below:

- Till 23rd May'21 on **MTD** basis, production was 30.8mnte (up 1% YoY) and offtake was 40.8mnte (up 41% YoY). At this rate, we expect offtake for May'21 to reach 55mnte.
- Till 23rd May'21 on **YTD** basis, production was 72.6mnte (vs 81.8mnte for 2MFY21 & 91.9mnte for 2MFY20) and offtake was 94.7mnte (vs 79mnte for 2MFY21 & 104.5mnte for 2MFY20). At current rate, YTD offtake has surpassed FY20 levels as well, although production is lower.
- Both **e-auction** premiums as well as volumes continue to be higher YoY. For Apr'21, total e-auction volumes were 15.1mnte (up 66% YoY & 110% 2Y YoY) and e-auction premiums averaged 14% (vs 5% in Apr'20 & 45% in Apr'19).
- **Spot e-auction** premiums were stable MoM at 24%, but premium for e-auction to non-power sector declined to 10% from 20% in Mar'21.
- Decline in production has been deliberate till mid-May'21 in order to reduce **coal pithead stock**, which reached 99mnte at FY21-end. This strategy has been successful as stocks have reduced to 77.2mnte currently.
- Further, **coal inventory** at power plants continues to be low at 15 days and coal PLFs continue at elevated levels due to which coal offtake will continue to be firm.

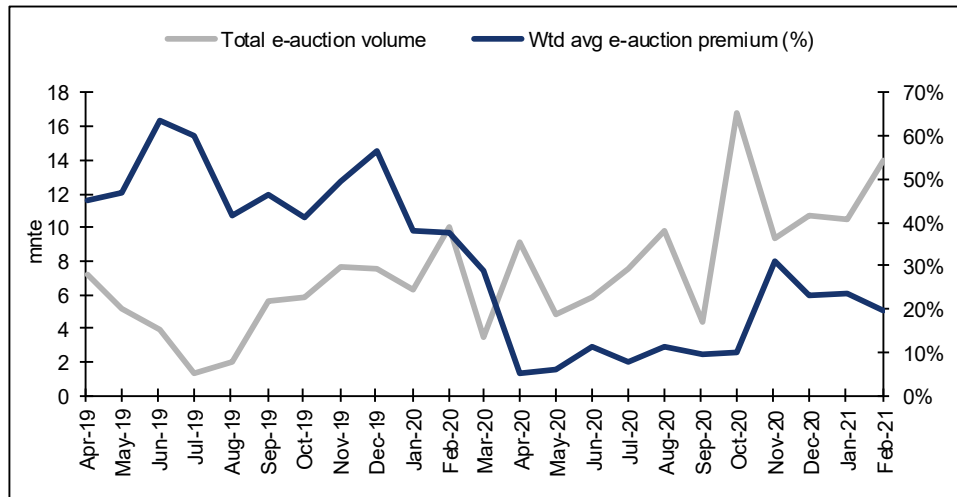
Chart 21: Coal inventory at plants remains low at 15 days as on 23rd May'21, but offtake growth for CIL was substantially higher in Apr-May'21



Source: CEA, I-Sec research

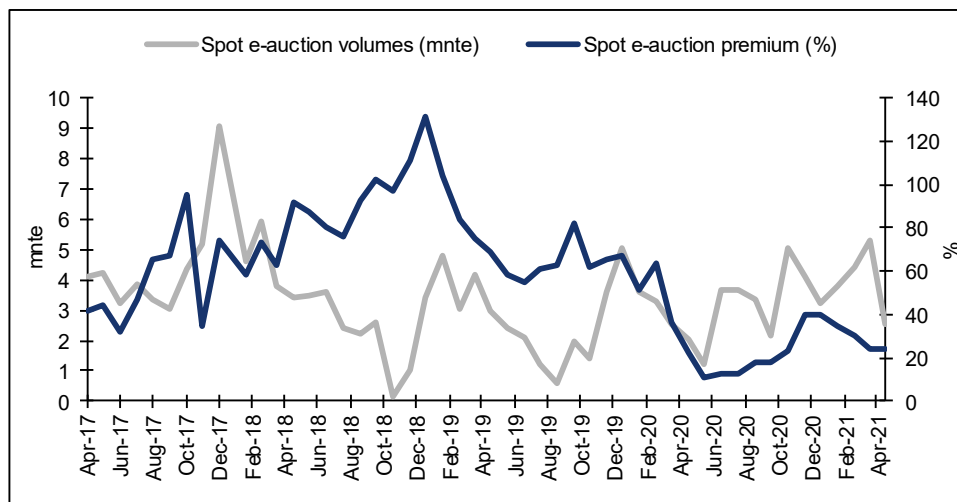
* May'21 figures are MTD till 23rd for coal despatch and till 23rd for coal inventory.

Chart 22: E-auction volumes continue to be high, but weighted average premiums have declined to 14% in Apr'21 from 20% in Q4FY21.



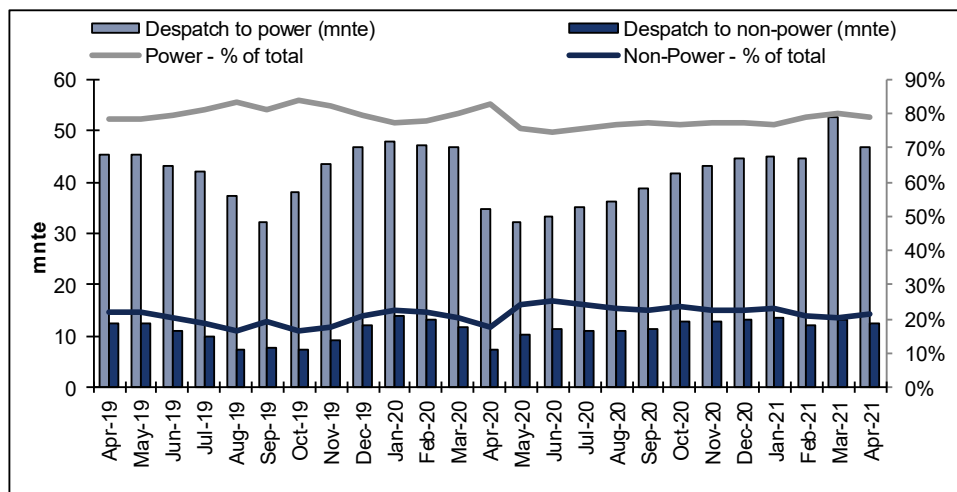
Source: Coal Ministry, I-Sec research

Chart 23: Spot e-auction volumes continue to be high while premiums have remained stable MoM at 24% in Apr'21



Source: Coal Ministry, I-Sec research

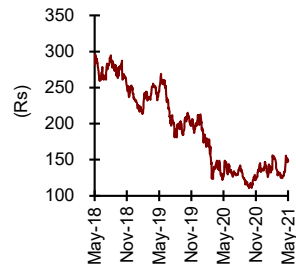
Chart 24: Coal despatches to power sectors continue to support coal offtake



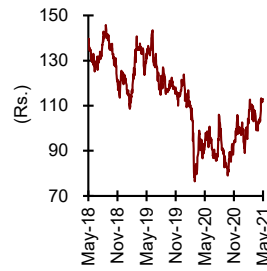
Source: Coal Ministry, I-Sec research

Price charts

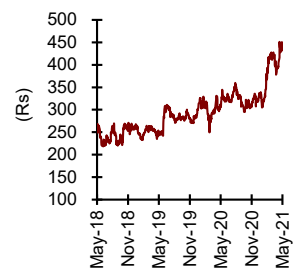
Coal India



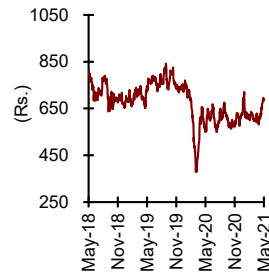
NTPC



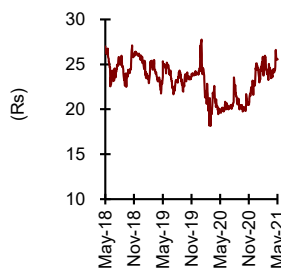
Torrent Power



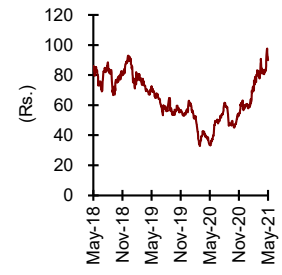
CESC



NHPC



PTC India



Source: Bloomberg

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